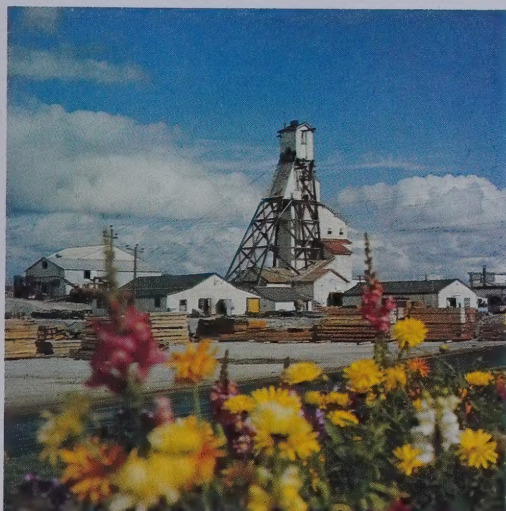


GIANT YELLOWKNIFE MINES LIMITED

1981
ANNUAL
REPORT

Giant



Giant

YELLOWKNIFE MINES LIMITED

REVIEW IN BRIEF

	1981	1980	1979
PRODUCTION			
Ore milled, tons	394,955	227,240	416,256
Grade of mill feed, ounces gold per ton	0.178	0.196	0.206
Gold recovered, ounces	58,678	38,285	75,109
FINANCIAL			
Gross value of production	\$31,204,000	\$28,142,000	\$31,129,000
Operating income	4,563,000	11,168,000	12,809,000
Exploration expenditures	4,679,000	921,000	1,068,000
Income and mining royalty taxes	(206,000)	4,669,000	3,651,000
Net income (loss)	(199,000)	6,292,000	8,315,000
Earnings (loss) per share	(0.05)	1.46	1.93
Dividends paid per share	0.25	1.00	0.60
Capital additions	3,178,000	2,342,000	1,250,000
Total assets	22,066,000	27,945,000	22,902,000
Working capital at end of year	13,053,000	15,977,000	15,765,000
Average price received per ounce of gold	524.00	730.00	412.00

ANNUAL MEETING OF SHAREHOLDERS

Monday, April 19, 1982 at 11:00 a.m. (E.S.T.)

Alberta Room, Royal York Hotel

Toronto, Canada

Head Office: P.O. Box 40, Commerce Court West, Toronto, Ontario M5L 1B4
Mine Office: Yellowknife, N.W.T. X0E 1H0



DIRECTORS

***C. R. Archibald, Q.C.**
Partner, Law Firm of Strathy, Archibald & Seagram

D. J. Emery
President and Managing Director of the Corporation

H. H. Bird
Director of Development
Falconbridge Nickel Mines Limited

W. F. James
Consulting Geologist

L. C. Kilburn
Vice-President Exploration, Development and
Western Canadian Operations
Falconbridge Nickel Mines Limited

***J. D. Krane**
Vice-President Corporate Affairs and Secretary
Falconbridge Nickel Mines Limited

G. P. Mitchell
Vice-President of the Corporation and President,
Kiena Gold Mines Limited

***J. D. Streit**
Geologist, President
Yellowknife Bear Resources Inc.

* Members of the Audit Committee

TRANSFER AGENTS AND REGISTRARS

Crown Trust Company
P.O. Box 38, 1 First Canadian Place
Toronto, Ontario M5X 1G4

Registrar and Transfer Company
55 Water Street, New York, N.Y. 10041

BANKERS

Canadian Imperial Bank of Commerce
Toronto, Ontario

OFFICERS

D. J. Emery
President and Managing Director of the Corporation

G. P. Mitchell
Vice-President of the Corporation and President,
Kiena Gold Mines Limited

J. M. DaCosta, Q.C.
Secretary of the Corporation and other Companies
associated with
Falconbridge Nickel Mines Limited

N. H. Witherell
Treasurer of the Corporation and
Treasurer
Falconbridge Nickel Mines Limited

S. W. E. Poad
Controller of the Corporation and
other Companies associated with
Falconbridge Nickel Mines Limited

CONSULTANTS

S. O. Fekete, Metallurgical

L. A. Wigglesworth, Geological

W. B. G. Walker, Geological

D. M. Scott, Mining

AUDITORS

Thorne Riddell
Toronto, Ontario

SOLICITORS

Strathy, Archibald & Seagram
Toronto, Ontario

EXCHANGE LISTINGS

Toronto Stock Exchange
Toronto, Ontario
American Stock Exchange
New York, N.Y.

Report of the Directors

To the Shareholders:

Your Directors submit the 39th Annual Report which includes the consolidated financial statements for the year ended December 31, 1981 of your Corporation and its subsidiaries Lolor Mines Limited and Supercrest Mines Limited, owned 87.5 per cent and 50.01 per cent respectively. The Corporation's activities include mining and treatment of gold ores from three properties located at Yellowknife, Northwest Territories. Since the commencement of operations in 1948, more than 11 million tons of ore have been mined to produce 5.5 million ounces of gold yielding a total realized value of \$368 million.

The Corporation has paid out \$59 million in dividends or 85 per cent of earnings. In 1981 dividends paid were \$0.25 per share compared with \$1.00 in 1980.

The Corporation is also involved in exploration for precious and other metals in Canada and the United States. Exploration emphasis in 1981 was on the Salmita gold property located 250 kilometres northeast of Yellowknife.

EARNINGS

The Corporation and its subsidiaries incurred a consolidated loss of \$199,000 or \$0.05 per share in 1981 compared with consolidated earnings of \$6,292,000 or \$1.46 per share in 1980. The loss is attributable to higher operating costs; an increase in exploration expenditures from \$921,000 in 1980 to \$4,679,000; and, a significant drop in the average price received for gold from \$730 (Canadian) per ounce in 1980 to \$524 per ounce in 1981. Most of the additional exploration expenditure was for an underground examination of the Salmita gold property.

The year 1981 began with a gold price in excess of \$700 per ounce which, by year end, had declined to approximately \$465 per ounce. The fluctuations appear to have been related to changes in interest rates and the tight monetary policies adopted by industrialized nations to combat inflation. These factors have had an adverse effect on investor demand and on the gold market. Sales of gold by Soviet bloc countries increased over 1980, further weakening the market. As world economic

conditions improve, a revival of investment demand could lead to an improvement in prices.

The accompanying tables (see page 9) illustrate the extent to which mine life and earnings have been affected by the price of gold over the past five years.

PRODUCTION

Production from the three properties increased from 227,240 tons in 1980, a year marked by strike activity, to 394,955 tons in 1981. Manpower shortages were experienced early in the year as an aftermath of the work stoppages.

The grade of ore mined declined from 0.196 ounce gold per ton in 1980 to 0.178 ounce gold per ton. This decrease was caused in part by wall rock dilution in certain underground workings, and to low grades of ore mined in the open pits, which supplied 26 per cent of the mill feed. Mill recovery of gold contained in the ores was 83.42 per cent (1980 — 85.96 per cent), and bullion produced was 58,678 ounces (1980 — 38,285 ounces).

With falling gold prices, considerable attention was directed toward augmenting bullion output by practising more selective mining, improving treatment plant operations and increasing production through better utilization of equipment. This work led to a steady quarter-by-quarter improvement in monthly bullion output, from an average of 4,422 ounces per month in the first quarter to 5,349 ounces per month in the fourth quarter.

Underground development and diamond drilling, cut back in 1980 because of the strike, were resumed at normal levels. Totals of 16,910 feet of drifting and 82,281 feet of diamond drilling were completed, substantial increases over the 10,112 feet and 59,830 feet respectively in 1980.

OPERATING AND CAPITAL COSTS

Comparisons with the previous year are difficult because of lost production during the strike that lasted from July 10 to October 24, 1980.

Consolidated operating and administrative costs in

1981 were \$26,391,000 or \$66.82 per ton compared with \$16,782,000 or \$73.85 per ton in 1980 which included property maintenance costs of \$1,871,000 during the strike. Although costs per ton were reduced because of the higher throughput, costs per ounce increased from \$438.34 to \$449.76 as a result of treating lower grade ores in 1981.

Higher costs of labour, energy and supplies adversely affected the operations as did increased costs of maintenance work on compressors, mobile ore-handling equipment and the underground crusher.

Despite efforts to reduce electrical consumption at the mine site, an increase of 79.1 per cent in rates during 1981 resulted in power costs of \$2.4 million or \$6.07 per ton. In 1979, the last year of full production, power costs were \$1.5 million or \$3.61 per ton.

Capital costs at the Yellowknife operations were \$2,434,000 (1980 — \$2,342,000) incurred by additions required for production and environmental purposes. The major items for both improvement and replacement were: underground drilling and ore-handling equipment (\$178,000); treatment plant equipment including belt filter, Maxwell flotation cell and carbon plant expansion (\$214,000); arsenic storage and shipping facilities (\$333,000); effluent treatment plant (\$1,074,000); refinery building (\$74,000); compressor (\$264,000); and surface mobile equipment (\$98,000).

ORE RESERVES

Ore reserves for the three properties are estimated at the end of each calendar year using the prevailing price of gold, anticipated operating costs, and expected waste dilution. As of December 31, 1981, the diluted ore reserves were estimated at 1,208,000 tons grading 0.24 ounce gold per ton, compared with 2,005,000 tons at 0.21 ounce gold per ton at December 31, 1980. The reduction of 797,000 tons results from the mining of 395,000 tons during the year and the deletion from reserves of 402,000 tons considered to be uneconomic at the present price of gold. A large part of the deleted tonnage could be reclassified as ore if economic conditions change and the price of gold improves.

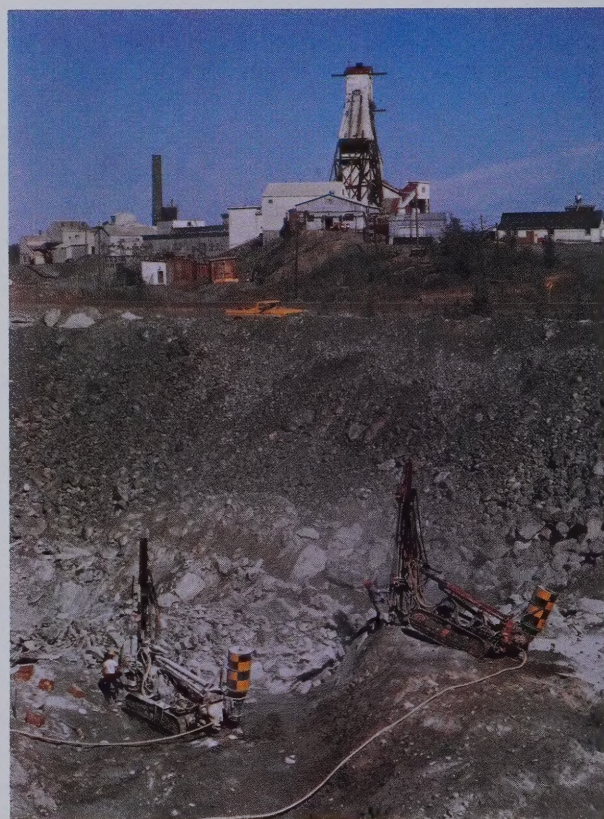
No major new ore occurrences were discovered by diamond drilling during the year. The drill program continued from the 2,000 foot level with completion of two long holes, but ore grade gold values were not encountered.

MINING OPERATIONS

Giant Mine

Throughput from the Giant mine totalled 385,276 tons grading of 0.177 ounce gold per ton, for a bullion production of 56,887 ounces. This compares with 220,250 tons grading 0.194 ounce gold per ton for a bullion output of 36,699 ounces in 1980.

Operating costs of \$65.63 per ton were improved over the \$72.74 per ton of 1980, but per ounce costs increased two per cent to \$444 as a result of mining lower grades. Because of the lower price for gold



Open pit work — C-Shaft headframe in background

and increased overall costs, operating income fell from \$10,747,000 in 1980 to \$4,697,000.

Underground lateral advance and raising were 15,326 feet and 1,377 feet in 1981 compared with 9,337 feet and 1,132 feet respectively in the previous year.

Diamond drilling totalled 10,789 feet from surface and 42,844 feet from underground compared with a total of 54,447 feet in 1980. Surface drilling south of B Shaft defined 49,000 tons of ore grading 0.214 ounce gold per ton that can be mined by open pit methods. Additional drilling is required, however, to locate possible extensions.

On the 2,000 foot level, a deep hole encountered 10 feet of mineralized zone between 2,464 and 2,474 feet. The best assay was 0.11 ounce gold per ton over 2.5 feet. Subsequently, the hole was deflected at a depth of 2,088 feet to obtain second samples of the zone. An intersection of 0.08 ounce gold per ton across 10 feet was obtained.

Three long holes were drilled horizontally from the 1,100 foot, 1,500 foot and 2,000 foot levels to test for possible parallel ore structures. No significant gold values were encountered.

Ore reserves at the Giant mine were recalculated from 1,958,000 tons grading 0.20 ounce gold per ton to 1,165,000 tons at 0.23 ounce gold per ton as of December 31, 1981. The reduction represents tonnage mined during the year as well as deletion of tonnages that are presently uneconomic because of the lower price for gold.

Lolor Mine

Production from the Lolor mine was 5,771 tons at 0.255 ounce gold per ton compared with 4,701 tons at 0.276 ounce gold per ton in 1980. Bullion produced was 1,162 ounces compared with 1,114 ounces in 1980.

Operating costs were \$65.64 versus \$68.07 per ton in the prior year. Operating income decreased from \$443,000 to \$259,000, primarily a result of the lower price received for gold.

No diamond drilling was done and only 39 feet of drifting were completed.

Ore reserves declined from 23,000 tons at 0.23 ounce gold per ton as of December 31, 1980 to 16,000 tons at 0.24 ounce gold per ton as of December 31, 1981.

Supercrest Mine

Output from the Supercrest mine was 3,908 tons grading 0.201 ounce gold per ton compared with 2,289 tons of 0.240 ounce gold per ton in 1980. Bullion production was 629 ounces compared with the 472 ounces of 1980. The lengthy strike by Giant employees during 1980 caused a delay in returning to a full work force, and production did not resume until March 1981.

Operating costs of \$185.74 per ton, although an improvement over those of 1980 (\$193.47), were still high because of the low throughput relative to increased expenditures for drifting and diamond drilling. These costs totalled \$103.23 per ton compared with \$54.99 per ton in 1980.

Because of increased overall costs and the lower average price received for gold (\$522.00 per ounce in 1981 versus \$890.00 per ounce in 1980), an operating loss of \$393,000 was incurred compared with the operating loss of \$23,000 in 1980. Production was temporarily suspended at year end in order to assess whether mining of remaining ore reserves should be delayed until the price of gold improves.

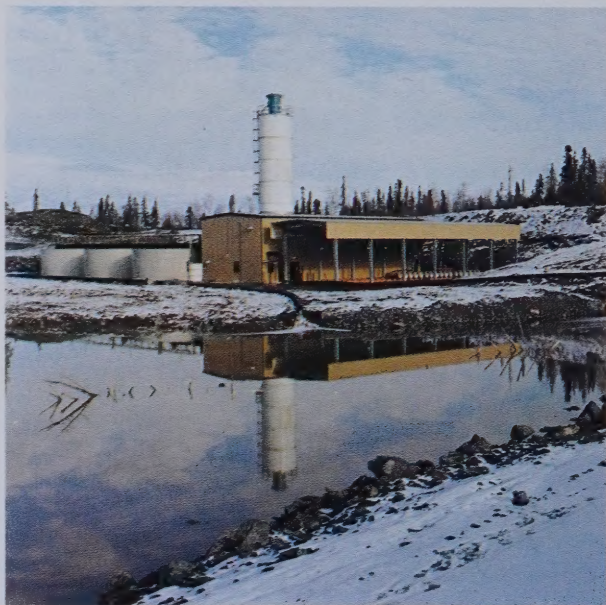
Underground drifting totalled 1,545 feet and raising 313 feet compared with 658 feet of drifting and no raising in 1980. The 1,500 foot level was completed for an advance of 1,094 feet. An extensive diamond drill program was undertaken with 23 holes totalling 10,020 feet completed from surface and 121 holes for 18,628 feet completed underground.

Nine of the surface holes were drilled north of the Akaitcho shaft. One hole returned 0.15 ounce gold per ton across eight feet while the others encountered narrow widths of less than 0.07 ounce gold per ton. Fourteen holes were drilled south of

the shaft above old workings and these also returned uneconomic values over narrow widths.

In the underground drill program, 3,200 tons grading 0.437 ounce gold per ton were outlined from the 425 sub-level, and 14,600 tons at 0.371 ounce gold per ton were confirmed from the 1,500 foot level.

Ore reserves as of December 31, 1981 were 27,000 tons grading 0.37 ounce gold per ton compared with 24,000 tons at 0.33 ounce gold per ton in 1980. As 3,908 tons were mined during the year, the reserve change represents a gain of 6,908 tons.



New effluent treatment plant

TREATMENT PLANT OPERATIONS

Operations of the treatment plant were adversely affected by the lower grades of ore received from the three properties. Flotation recovery, roaster performance and cyanide extractions were affected and overall recovery of 83.42 per cent was down from the 85.96 per cent of 1980.

Extensive research was done by consultants and company personnel in order to improve the operations. Laboratory scale tests were conducted,

followed by plant scale tests in November and December. Additional work on circuit and grinding modifications is in progress. A new flotation cell was installed early in 1981 and an expansion of the carbon plant was completed in September to help improve recovery.

Environmentally, the plant performed satisfactorily. A five-year renewal of the water license was obtained from the Northwest Territories Water Board. The license stipulates stringent new effluent quality standards to be met by May, 1982. For this reason, a high priority was placed on construction of a new effluent treatment plant. The facility was placed in operation from August until freeze-up in October, 1981. It was successful in substantially reducing cyanide, arsenic and heavy metals in the final effluents. Stack emissions from the roaster continued well within the proposed Federal regulations. Studies continued on tailings disposal and an expansion of the present storage area will commence in 1982.

A storage silo and loading facility were completed early in the year and shipments of arsenic trioxide, a roaster by-product, were made to a U.S. purchaser commencing in February. Revenues of \$370,000 were realized from the sale of 1,205 tons shipped during the year. Test work was initiated to determine the feasibility of increasing production by recovering arsenic trioxide stored in underground workings.

EXPLORATION

Total exploration expenditures were \$4,679,000 compared with \$921,000 in 1980. The largest outlay was \$3,261,000 for an underground exploration program at the Salmita gold property, 250 kilometres northeast of Yellowknife. Of the remaining \$1,418,000, approximately \$30,000 was spent on the Northbelt property adjacent to the mine area, and \$1,388,000 on outside exploration, remote from the mine site.

Salmita Project

The underground exploration and development program reported in 1980 was aggressively pursued at the Salmita gold property. Expenditures totalled

\$3,261,000 for mobilization, construction and underground work. Capital expenditures for mobile equipment were \$744,000.

Fuel, supplies and trailer-type accommodations were moved into the property by winter road during March and April. Construction crews lengthened the Tundra airstrip to permit use of large aircraft, established a road from the strip to the project site, and assembled a fully winterized camp for 30 people.



Aerial view of Salmita camp site, September 1981

Underground work commenced in mid-November and, by year end, 108 metres* of decline and 18 metres of shaft had been cleared of ice that had formed in these openings since work was last done in them.

The present program will involve extending the decline to approximately 100 metres below surface, opening up the gold-bearing zone on two levels, and diamond drilling below the 100 metre level. The exploration program is scheduled for completion by August 1982. Results of the underground work will then be assessed to determine whether to proceed to production.

*To conform with Canadian metrication all new exploration work undertaken outside the mine area is expressed in metric measure.

Mine Area

Geological mapping was done on the Northbelt property as part of a continuing program of

exploration. A diamond drill program planned for the Crestaurum area was deferred: there are no immediate plans to do this work because of the present price of gold.

Outside Exploration

Ten outside exploration projects were undertaken at a cost of \$1,388,000 compared with \$625,000 for similar work in 1980. Six of the projects involved searches for gold and silver, three for base metals and one for uranium. The uranium prospect, located at Ellice River, 560 kilometres north of Yellowknife, was optioned to a Canadian resource company. Their investigation gave disappointing results.

Four of the gold prospects examined were in the Northwest Territories. Some encouragement was obtained at Regan Lake, 440 kilometres east of Yellowknife, where seven diamond drill holes returned gold assays of up to 0.67 ounce gold per ton over narrow widths. Diamond drilling on two of the other properties, and prospecting of the fourth, failed to yield encouraging results.

Joint-venture exploration with the Saskatchewan Mining Development Corporation and a Calgary-based exploration firm continued in the Waddy Lake area of Saskatchewan where previous surface sampling and drilling have indicated a potential for gold. Twenty-three holes, totalling 1,500 metres, were drilled during 1981. In one location, ore grade gold values were encountered over a strike length of 65 metres and across variable widths of 1 metre to approximately 20 metres. Continuity of the zone has not yet been established. Follow-up geological work and additional diamond drilling are being planned for the field season of 1982.

Exploration by Arctic Precious Metals, Inc. (50 per cent owned by Giant Yellowknife Mines Limited and 50 per cent by United Keno Hill Mines Limited) was continued in the States of Nevada and Utah. Three properties were drilled using percussion equipment for a total of 4,328 metres in 51 holes. One of the properties requires further exploration to determine the economic significance

of gold values encountered in several holes. Total expenditures in 1981 were \$625,000 of which Giant's share was 50 per cent.

The base metal exploration was done in Newfoundland, Quebec and the Northwest Territories. In Newfoundland, prospecting, mapping, geochemical sampling and drilling of 16 holes totalling 1,067 metres was accomplished on the Hermitage joint venture project. Drill hole assays obtained for copper, zinc and silver were too low to be of economic interest. Two holes were also drilled on the Clermont property in Quebec to test the extent of ore grade copper and zinc sulphides that had been discovered during an earlier drill program. Results indicated insufficient tonnage potential to warrant further exploration. Field work was conducted at the east end of Great Slave Lake to assess the possibility of economic copper deposits within the area. No drill targets were identified.

SUDBURY BASIN DIVISION

Ore reserves were recalculated and the metallurgical investigations started in 1980 were completed. The metallurgical studies have been encouraging, showing that it is possible to produce saleable concentrates of copper, lead and zinc at satisfactory recovery levels. Further work on the property will be considered when economic conditions improve.

GENERAL

A comprehensive program of training for underground employees was initiated early in 1981

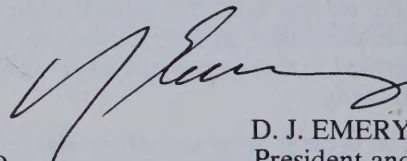
to alleviate the shortage of qualified personnel resulting from the strike of 1980. More than 100 employees obtained training during the year.

Emphasis continued on matters relating to safety and health. Improvements were made in the filtering of workplace and lunchroom air in areas where arsenic trioxide is being handled.

The Directors acknowledge the efforts of employees during 1981 to improve efficiency and reduce costs in response to falling gold prices. They also express their appreciation for the contribution made by the former General Manager, Mr. W. A. Moore, who retired in December. He was succeeded by Mr. Kenneth Blower who has held senior positions within the Falconbridge group of companies.

The Directors record, with deep regret, the death of Mr. A. J. Anderson, P.Eng., in February 1982. Mr. Anderson had been a Director of the Corporation since 1946 and was instrumental in bringing the property into production. He served as President from 1956 until his retirement in 1962. Mr. Anderson always displayed a keen interest in the progress of the company and his wise counsel was a source of strength to the Board of Directors.

On behalf of the Board,



D. J. EMERY
President and
Managing Director

Toronto, Ontario
February 12, 1982

The shares of the Corporation are listed and traded on the Toronto and American Stock Exchanges, the latter being the principal market. The sale price and dividends paid for the following quarterly periods are as tabulated below.

1981				1980			
	High	Low	Dividends Paid per Share in Canadian Funds		High	Low	Dividends Paid per Share in Canadian Funds
March 31	U.S.\$22 $\frac{3}{4}$	U.S.\$15 $\frac{1}{2}$	25 cents	March 31	U.S.\$21	U.S.\$12	25 cents
June 30	19 $\frac{1}{8}$	11 $\frac{1}{8}$	—	June 30	20 $\frac{3}{8}$	12 $\frac{1}{8}$	25 cents
September 30	14 $\frac{1}{8}$	10 $\frac{1}{8}$	—	September 30	33 $\frac{7}{8}$	24	25 cents
December 31	13 $\frac{1}{8}$	7 $\frac{1}{8}$	—	December 31	31 $\frac{1}{8}$	20	25 cents
Number of shareholders — 7,236				Number of shareholders — 7,390			

OPERATIONS AND FINANCIAL SUMMARY

	1981	1980	1979	1978	1977
Giant					
Ore milled, tons	385,276	220,250	391,038	364,945	393,178
Gold recovered, ounces	56,887	36,699	69,570	85,049	87,755
Lolor					
Ore milled, tons	5,771	4,701	11,765	10,553	7,663
Gold recovered, ounces	1,162	1,114	2,080	3,028	2,116
(87.5 percent owned by Giant Yellowknife Mines Limited)					
Supercrest					
Ore milled, tons	3,908	2,289	13,453	21,159	45,351
Gold recovered, ounces	629	472	3,459	7,336	16,272
(50.01 percent owned by Giant Yellowknife Mines Limited)					
Consolidated					
Ore milled, tons	394,955	227,240	416,256	396,657	446,192
Average tons per day	1,082	621	1,140	1,087	1,222
Calculated mill heads	0.18	0.20	0.21	0.27	0.27
(oz. gold per ton)					
Mill recovery, percent	83.42	85.96	87.76	88.75	87.73
Total recovery					
Gold, ounces	58,678	38,285	75,109	95,413	106,143
Silver, ounces	9,315	6,898	14,373	24,778	22,809
Consolidated Financial Summary					
Net value of production	\$30,954,000	\$27,950,000	\$30,921,000	\$22,183,000	\$17,299,000
Operating and administrative costs	26,391,000	16,782,000	18,112,000	15,753,000	12,794,000
Operating income before the underrated items	4,563,000	11,168,000	12,809,000	6,430,000	4,505,000
Depreciation, depletion and amortization	1,613,000	498,000	424,000	724,000	888,000
Exploration expenses	4,679,000	921,000	1,068,000	661,000	341,000
Operating profit (loss)	(1,729,000)	9,749,000	11,317,000	5,045,000	3,276,000
Income from investments	(1,296,000)	(1,277,000)	(934,000)	(627,000)	(468,000)
Income and mining royalty taxes — current and deferred	(206,000)	4,669,000	3,651,000	1,742,000	952,000
Minority interest	(28,000)	65,000	285,000	199,000	341,000
Net income (loss)	\$ (199,000)	\$ 6,292,000	\$ 8,315,000	\$ 3,731,000	\$ 2,451,000
Earnings (loss) per share	\$ (0.05)	\$ 1.46	\$ 1.93	\$ 0.87	\$ 0.57
Dividends paid per share	\$ 0.25	\$ 1.00	\$ 0.60	\$ 0.50	\$ 0.15
Total assets	\$22,066,000	\$27,945,000	\$22,902,000	\$15,808,000	\$13,248,000
Working capital	\$13,053,000	\$15,977,000	\$15,765,000	\$10,753,000	\$ 8,838,000
Average price per ounce of gold	\$524.00	\$730.00	\$412.00	\$233.00	\$164.00
Operating and administrative costs per ton	\$66.82	\$73.85	\$43.51	\$39.71	\$28.67

TABLE SHOWING YEAR END ESTIMATES OF ORE RESERVES (000 tons)

	1981		1980		1979		1978		1977	
	Tons	Grade Oz. Gold per ton	Tons	Grade Oz. Gold per ton	Tons	Grade Oz. Gold per ton	Tons	Grade Oz. Gold per ton	Tons	Grade Oz. Gold per ton
Giant:										
Active Stopes	628	0.25	1,221	0.20	1,412	0.20	790	0.28	460	0.36
Other Developed Ore	295	0.22	485	0.20	312	0.21	135	0.29	283	0.30
Open Pits	242	0.21	252	0.20	283	0.21	248	0.23	202	0.32
Total Giant	1,165	0.23	1,958	0.20	2,007	0.20	1,173	0.27	945	0.33
Lolor:										
Active Stopes	7	0.24	11	0.23	15	0.22	16	0.25	18	0.39
Other Developed Ore	9	0.24	12	0.23	7	0.26	—	—	—	—
Total Lolor	16	0.24	23	0.23	22	0.23	16	0.25	18	0.39
Supercrest:										
Active Stopes	—	—	12	0.31	13	0.31	15	0.39	29	0.44
Other Developed Ore	27	0.37	12	0.35	12	0.35	12	0.35	12	0.35
Total Supercrest	27	0.37	24	0.33	25	0.33	27	0.37	41	0.41
Total developed ore at year end	1,208	0.24	2,005	0.21	2,054	0.21	1,216	0.27	1,004	0.34

SUMMARY OF 1981, 1980 AND 1979 CONSOLIDATED RESULTS BY QUARTERS

(Unaudited)

Operating Record	1981					1980
	Three Months Ended				Total	
	March 31	June 30	Sept. 30	Dec. 31		
Ore milled, tons	86,195	98,744	105,987	104,029	394,955	
Average per day, tons	958	1,085	1,152	1,131	1,131	
Average mill heads per ton (note 3)	0.183	0.170	0.176	0.179	0.179	
Gold recovered, ounces	13,267	14,001	15,362	16,048	58,678	
Silver recovered, ounces	1,928	1,942	2,639	2,806	9,315	
Statement of Earnings (000 omitted)						
Revenue from bullion production (less marketing charges) .	\$ 7,918	\$ 7,006	\$ 8,306	\$ 7,724	\$ 30,954	
Operating and administrative expenses	5,917	6,327	6,347	7,800	26,391	
Operating income (loss)	2,001	679	1,959	(76)	4,563	
Depreciation and amortization	347	389	296	581	1,613	
Exploration expenses	173	886	1,266	2,354	4,679	
	520	1,275	1,562	2,935	6,692	
	1,481	(596)	397	(3,011)	(1,729)	
Non-operating revenue (loss) (note 4)	517	252	(65)	592	1,396	
	1,998	(344)	332	(2,419)	(2,032)	
Income and mining royalty taxes — current and deferred .	658	(133)	207	(938)	(2,032)	
	1,340	(211)	125	(1,481)	(2,032)	
Minority interest in earnings of subsidiary companies . . .	3	3	(29)	(5)	(29)	
Earnings (loss) for the period	\$ 1,337	\$ (214)	\$ 154	\$ (1,476)	\$ (1,337)	
Earnings (loss) per share	\$.31	\$ (.05)	\$.04	\$ (.35)	\$ (.35)	
Average price per ounce of gold produced (note 3)	\$ 604.00	\$ 513.00	\$ 516.00	\$ 481.00	\$ 524.00	

Note: (1) Revenue from metal production at December 31, includes unsold gold.

	1981	1980	1979
— ounces	13,000	5,000	17,000
— valuation/ounce	\$ 472.00	\$ 627.00	\$ 585.00

(2) Canadian/U.S. dollar exchange rate at December 31

	\$ 1.19	\$ 1.19	\$ 1.16
--	---------	---------	---------

(3) The third quarter 1980 average gold price per ounce produced and grade has increased significantly due to the draining of the milling circuit necessitated by the strike. Subsequently, replenishing the circuit has decreased the fourth quarter average gold price and grade.

(4) Non-operating revenue includes a writedown in the carrying value of certain marketable securities of \$549,500 (1980, \$562,500).

1980				
Three Months Ended				
March 31	June 30	Sept. 30	Dec. 31	Total
101,161	77,434	8,067	40,578	227,240
1,112	851	88	441	621
0.207	0.209	0.286	0.126	0.196
18,156	13,519	1,984	4,626	38,285
2,718	2,298	446	1,436	6,898
\$ 13,155	\$ 9,481	\$ 2,153	\$ 3,161	\$ 27,950
5,395	4,584	2,271	4,532	16,782
7,760	4,897	(118)	(1,371)	11,168
191	211	81	15	498
101	176	257	387	921
292	387	338	402	1,419
7,468	4,510	(456)	(1,773)	9,749
246	488	212	331	1,277
7,714	4,998	(244)	(1,442)	11,026
2,970	1,791	102	(194)	4,669
4,744	3,207	(346)	(1,248)	6,357
74	8	(2)	(15)	65
\$ 4,670	\$ 3,199	\$ (344)	\$ (1,233)	\$ 6,292
\$1.09	\$.74	\$ (.08)	\$ (.29)	\$ 1.46
\$ 725.00	\$ 701.00	\$1,085.00	\$ 683.00	\$ 730.00

1979				
Three Months Ended				
March 31	June 30	Sept. 30	Dec. 31	Total
103,449	110,859	97,005	104,943	416,256
1,149	1,218	1,054	1,141	1,140
0.206	0.226	0.202	0.188	0.206
18,638	22,145	17,094	17,232	75,109
2,809	5,318	3,425	2,821	14,373
\$ 5,503	\$ 7,269	\$ 7,365	\$ 10,784	\$ 30,921
4,291	4,639	4,188	4,994	18,112
1,212	2,630	3,177	5,790	12,809
190	184	199	(149)	424
211	172	277	408	1,068
401	356	476	259	1,492
811	2,274	2,701	5,531	11,317
236	171	267	260	934
1,047	2,445	2,968	5,791	12,251
356	681	963	1,651	3,651
691	1,764	2,005	4,140	8,600
93	60	(21)	153	285
\$ 598	\$ 1,704	\$ 2,026	\$ 3,987	\$ 8,315
\$.14	\$.40	\$.47	\$.92	\$ 1.93
\$ 296.00	\$ 328.00	\$ 431.00	\$ 626.00	\$ 412.00

Management's Discussion and Analysis of Financial Condition and Results of Operations

Analysis of Financial Condition

Liquidity

The financial condition of Giant Yellowknife Mines Limited (the Corporation) weakened during the year, with working capital declining by \$2,924,000 to \$13,053,000 as at December 31, 1981.

Expenditures on capital additions of \$2,434,000 on the Corporation's Yellowknife property and \$744,000 on the Salmita project, in addition to a dividend payment of \$1,076,000 (\$0.25 per share) accounted for the major utilization of funds during the year. Funds generated from operations during the year amounted to \$1,049,000 down from the 1980 level of \$7,282,000. The principal reasons for the decrease were a result of lower average gold prices received in 1981 as compared to 1980 and a substantial increase in exploration expenditures over the previous year, due mainly to the requirements of the Salmita project.

Cash and marketable securities decreased during 1981 by \$11,476,000 to \$5,559,000, as a result of financing the build up of the bullion inventory pipeline, the payment of the 1980 federal and royalty tax liabilities, significant capital asset additions, funding the exploration programme and the payment of dividends.

In 1980, the working capital of the Corporation increased by \$212,000 over 1979 to a closing position of \$15,977,00 reflecting capital asset additions of \$2,342,000 and dividend payments of \$4,303,000 (\$1.00 per share). Funds generated from operations in 1980 amounted to \$7,282,000 down from the 1979 level of \$9,024,000 as a result of the labour strike experienced during the latter half of the year. Closing cash and marketable securities increased in 1980 by \$9,148,000 to \$17,035,000 primarily as a result of the liquidation of the outstanding bullion settlements receivable.

Capital Resources

The capitalization of the Corporation remained unchanged during 1981 and 1980 and at this time no changes are planned for 1982. It is anticipated that 1982 exploration expenditures on the Salmita project and local Yellowknife fixed asset additions will be financed through the internal generation of funds and existing available working capital.

The Corporation has negotiated a \$10,000,000 line

of credit with a Canadian bank. There is no commitment fee on the unused portion of the line and drawings against the line attract interest at the bank's prime lending rate. The line of credit may be withdrawn at the bank's discretion.

Analysis of Results of Operations

The following paragraphs set forth a discussion of the consolidated statement of earnings for the three years ended December 31, 1981. Please refer to the notes to the consolidated financial statements for a detailed discussion of the accounting policies that are an integral element in evaluating these results.

A consolidated loss for the year 1981 amounted to \$199,000 or \$0.05 per share as compared to earnings of \$6,292,000 of \$1.46 per share in 1980 and \$8,315,000 or \$1.93 per share in 1979. The decrease in the gold prices received, which averaged \$524 per ounce in 1981 as compared to \$730 in 1980, along with the \$3,758,000 increase in exploration expenditures over 1980 account for the decrease in consolidated earnings when compared to the previous year.

During 1981, revenue from bullion production increased by \$3,062,000 over 1980 levels. Increased gold production of 20,393 ounces when compared to 1980 resulted in a favourable volume variance of \$15,062,000, while declining gold prices resulted in an unfavourable price variance of \$12,000,000.

Operating, administrative and corporate expenditures for 1981 were \$26,391,000 or \$66.82 per ton milled compared to \$14,911,000 or \$65.62 per ton milled in 1980, after excluding property maintenance costs during the strike. Increased costs for electrical energy, heat, supplies and labour charges resulted in an unfavourable spending variance of \$29.07 per ton milled. However, this increased spending variance was partially offset by a favourable volume variance of approximately \$27.87 per ton milled as a result of processing of 167,715 more tons of ore than in 1980. The 1980 production level was adversely affected by the strike.

In comparing 1980 results to the record earnings in 1979, the principal reason for the decrease in consolidated earnings was the production shortfall of 36,824 ounces of gold due to the strike which

was only partially offset by an increased 1980 average gold price received, of \$730 per ounce up from \$412 per ounce in 1979. On a price volume basis, a favourable price variance of \$12,184,000 was offset by a volume loss of \$15,171,000 resulting in a gross revenue decrease of \$2,987,000 over the 1979 level.

Operating, administrative and corporate expenditures, excluding property maintenance costs of \$1,871,000 incurred during the term of the strike were down in 1980 as compared to 1979 by \$3,201,000. However, on a spending volume basis, there was a favourable spending variance of \$14.10 per ton milled and an unfavourable volume variance of \$36.21 per ton milled, both of which were a result of the strike. Consequently, unit costs on a per ton milled basis increased \$22.11 during 1980 over 1979 levels.

Exploration expenditures at \$4,679,000 in 1981 increased from \$921,000 in 1980 and \$1,068,000 in 1979. The major area of emphasis during 1981 was on the Salmita project where \$3,261,000 was spent for exploration to determine whether the property has sufficient ore reserves to warrant a production decision.

Also contributing to the earnings decrease in 1981 was a higher charge for depreciation at \$1,613,000 up from \$498,000 in 1980 and \$424,000 in 1979. Since the capital assets of the Corporation are depreciated on the unit of production basis, the increased charge for depreciation was a reflection of the lower 1981 year end ore reserves when compared to the previous years.

Income from investments during 1981 was \$1,296,000 compared to \$1,277,000 and \$934,000 in 1980 and 1979 respectively. Recognized during 1981 was a \$284,000 gain from the disposal of fixed assets as well as a \$549,500 writedown to market value of certain marketable securities. A writedown of the same securities in 1980 amounted to \$562,500. Interest and dividend income from investments net of the above items has decreased when compared to 1980 due to declining cash balances, only partially offset by record high interest rates. In comparing 1980 to 1979, income from investments was up primarily as a result of higher than average cash balances and higher interest rates.

Income taxes recoverable (see note 5 to the financial statements) as a percentage of the pre-tax loss were 41.6% in 1981 compared to an expense of 37.7% and 25.1% of pre-tax earnings in 1980 and 1979 respectively. Due to the loss in 1981, certain expenditures such as exploration were expensed in the Corporation's accounts for accounting purposes

but not claimed for tax purposes. These amounts are available to reduce taxable incomes of future years. These expenses as well as the reversal of prior years timing differences account for the majority of the tax reduction in 1981. The effective tax rate of the current year's recovery has increased over previous years' rates of taxation. The change in the rate resulted from non-allowable expenses and the Corporation's inability to claim the depletion allowance.

An increase of 12.6% in the income and mining tax expense occurred between 1980 and 1979. The majority of the increase in the effective tax rate over the previous year was due mainly to a decrease in the amount claimed for earned depletion allowance. This resulted in a 5.9% rate increase. Other factors which contributed to the difference included the writedown of certain marketable securities which were not accorded any tax benefits (1.8%), the corporate surtax levied by the Federal Government (1.4%) and numerous permanent tax rate differences of 3.5%.

Impact of Inflation

In recent years, there has been growing concern over the impact of inflation on business. As a result, historical dollar accounting (as reflected in the consolidated financial statements) does not reflect the cumulative effects of increasing costs and changes in the purchasing power of the dollar.

Inflation has a particularly problematic effect on your Corporation. Because the selling price of gold is influenced by international events and changing market conditions, rising or falling prices do not necessarily cushion the effects of inflation on the Corporation's operating costs. Consequently, the Corporation cannot counter rising costs of production by increasing prices but alternatively it must continually recognize the effects of inflation by reassessing its operations during the budgeting and financial forecasting processes.

In the extractive industry, ore reserves are a significant hedge against inflation. As the price of gold rises, lower grades of ore can be added to the reserve category since exploitation of these reserves will become more economically viable. Conversely, as the price of gold falls (as was the case in 1981), lower grades of ore are removed from the reserve category as these grades can no longer be economically processed. As a result, the Corporation must deal with rising costs and fluctuating gold prices by continually searching for and implementing more cost efficient methods of mining and processing technologies.

Consolidated Balance Sheet

As at December 31, 1981 and 1980

ASSETS

	1981	1980
	(000's)	(000's)
CURRENT ASSETS		
Cash and short term bank deposits	\$ 3,151	\$ 12,577
Marketable securities, at the lower of cost and market value (note 3)	2,408	4,458
Bullion (note 2)	6,295	3,369
Accounts and accrued interest receivable	794	318
Income taxes recoverable	457	
Supplies	2,399	2,137
Prepaid expenses and deposits	38	111
	<u>15,542</u>	<u>22,970</u>
FIXED ASSETS		
Property, plant and equipment, at cost	23,913	21,851
Less accumulated depreciation	19,072	17,815
	<u>4,841</u>	<u>4,036</u>
Non-producing assets		
Mining claims and properties, at cost	792	792
Salmita project, at cost (note 9)	744	
	<u>6,377</u>	<u>4,828</u>
OTHER ASSETS		
Shares in and advances to other mining companies, at cost less amount written off	147	147
	<u>\$ 22,066</u>	<u>\$ 27,945</u>

Auditors' Report

To the Shareholders of
Giant Yellowknife Mines Limited

We have examined the consolidated balance sheet of Giant Yellowknife Mines Limited as at December 31, 1981 and 1980 and the consolidated statements of income, retained earnings and changes in financial position for the three years ended December 31, 1981. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada
January 27, 1982

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and 1980 and the results of its operations and the changes in its financial position for the three years ended December 31, 1981, in accordance with generally accepted accounting principles applied on a consistent basis.

Thorne Liddell
Chartered Accountants



YELLOWKNIFE MINES LIMITED

(Incorporated under the laws of Ontario)
and its subsidiary companies

LIABILITIES

	1981	1980
	(000's)	(000's)
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,374	\$ 2,272
Income taxes payable		3,240
Government mining royalty taxes payable	23	485
Deferred income taxes	92	319
Dividends payable		677
	2,489	6,993
DEFERRED INCOME AND MINING ROYALTY TAXES (note 5)	380	433
MINORITY INTEREST		
Interest of minority shareholders in subsidiary companies	504	551

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized — 4,500,000 shares without par value		
Issued — 4,303,050 shares	5,700	5,700
CONTRIBUTED SURPLUS	2,637	2,637
RETAINED EARNINGS	10,356	11,631
	18,693	19,968
	\$ 22,066	\$ 27,945

Approved by the Board

Director

Director

Consolidated Statement of Income

Years Ended December 31, 1981, 1980 and 1979



	1981 (000's)	1980 (000's)	1979 (000's)
Revenue			
Bullion production	\$ 31,204	\$ 28,142	\$ 31,129
Deduct marketing expenses	250	192	208
	<u>30,954</u>	<u>27,950</u>	<u>30,921</u>
Expenses			
Operating	25,933	14,457	17,749
Property maintenance costs during strike (note 8)		1,871	
Administrative and corporate	458	454	363
	<u>26,391</u>	<u>16,782</u>	<u>18,112</u>
Operating income before the undernoted items	4,563	11,168	12,809
Depreciation	1,613	498	424
Salmita exploration (note 9)	3,261		
Other exploration	1,418	921	1,068
	<u>6,292</u>	<u>1,419</u>	<u>1,492</u>
Operating income (loss)	(1,729)	9,749	11,317
Income from investments (note 3)	1,296	1,277	934
	<u>(433)</u>	<u>11,026</u>	<u>12,251</u>
Income and mining royalty taxes (note 5)			
Current	74	5,543	2,025
Deferred (reduction)	(280)	(874)	1,626
	<u>(206)</u>	<u>4,669</u>	<u>3,651</u>
	(227)	6,357	8,600
Minority interest in net income (loss) of subsidiary companies	(28)	65	285
NET INCOME (LOSS)	\$ (199)	\$ 6,292	\$ 8,315
EARNINGS (LOSS) PER SHARE	<u>\$ (0.05)</u>	<u>\$ 1.46</u>	<u>\$ 1.93</u>

Consolidated Statement of Retained Earnings

Years Ended December 31, 1981, 1980 and 1979

	1981 (000's)	1980 (000's)	1979 (000's)
BALANCE AT BEGINNING OF YEAR	\$ 11,631	\$ 9,642	\$ 3,909
Net income (loss)	(199)	6,292	8,315
	<u>11,432</u>	<u>15,934</u>	<u>12,224</u>
Dividends — \$0.25 per share (\$1.00 in 1980 and \$0.60 in 1979)	1,076	4,303	2,582
BALANCE AT END OF YEAR	<u>\$ 10,356</u>	<u>\$ 11,631</u>	<u>\$ 9,642</u>

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1981, 1980 and 1979



	1981 (000's)	1980 (000's)	1979 (000's)
WORKING CAPITAL DERIVED FROM			
Operations			
Net income (loss)	\$ (199)	\$ 6,292	\$ 8,315
Add items not involving working capital			
Depreciation	1,613	498	424
Deferred income and mining royalty taxes	(53)	433	
Gain on disposal of fixed assets	(284)	(6)	
Minority interests in net income (loss) of subsidiary companies	(28)	65	285
	<u>1,049</u>	<u>7,282</u>	<u>9,024</u>
Proceeds on disposal of fixed assets	300	10	5
	<u>1,349</u>	<u>7,292</u>	<u>9,029</u>
WORKING CAPITAL APPLIED TO			
Dividends	1,076	4,303	2,582
Additions to property, plant and equipment	2,434	2,342	1,250
Additions to mining claims		250	
Additions to Salmita project	744		
Dividends to minority shareholders of subsidiary companies	19	185	185
	<u>4,273</u>	<u>7,080</u>	<u>4,017</u>
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (2,924)	\$ 212	\$ 5,012
Changes in components of working capital			
Increase (decrease) in current assets			
Cash and marketable securities	\$(11,476)	\$ 9,148	\$ (1,269)
Bullion	2,926	(6,683)	7,077
Supplies	262	359	378
Other current assets	860	129	87
	<u>(7,428)</u>	<u>2,953</u>	<u>6,273</u>
Increase (decrease) in current liabilities			
Accounts payable and accrued liabilities	102	429	237
Income and mining royalty taxes payable	(3,702)	2,998	(658)
Deferred income taxes	(227)	(1,307)	1,626
Dividends payable	(677)	621	56
	<u>(4,504)</u>	<u>2,741</u>	<u>1,261</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(2,924)	212	5,012
WORKING CAPITAL AT BEGINNING OF YEAR	15,977	15,765	10,753
WORKING CAPITAL AT END OF YEAR	\$ 13,053	\$ 15,977	\$ 15,765

Notes to Consolidated Financial Statements

December 31, 1981, 1980 and 1979



1. ACCOUNTING POLICIES

The consolidated financial statements of the company have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied. For the purposes of these statements accounting policies are in conformity, in all material respects, with accounting policies generally accepted in the United States. The significant accounting policies followed by the company are summarized hereunder to facilitate review of the consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements include the accounts of Lolor Mines Limited and Supercrest Mines Limited of which the company holds 87.5% and 50.01% respectively of the outstanding common shares.

(b) Revenue recognition

Bullion is valued at estimated net realizable value and revenue is recorded in the accounts on completion of production.

(c) Supplies

Stores and operating supplies are valued at the lower of average cost and replacement cost.

(d) Fixed assets

Fixed assets are accounted for as follows:

- (i) all fixed assets are recorded at cost. Investment tax credits related to plant and equipment expenditures are recorded as a reduction of the cost of the related asset;
- (ii) depreciation on property, plant and equipment is provided for on the unit of production basis;
- (iii) the non-producing assets represent land in the Town of Yellowknife, Sudbury Basin land and mining claims. The Salmitya project includes expenditures for mobile capital equipment;
- (iv) repairs and maintenance expenditures are charged against earnings, major betterments and replacements are capitalized; and
- (v) upon sale or abandonment the cost of the fixed assets and related accumulated depreciation or depletion are removed from the accounts and any gains or losses thereon are taken into earnings.

(e) Exploration

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings.

(f) Retirement plans

The cost of retirement plans are charged against earnings in the year premiums or required fundings are payable. Past service costs are being funded over periods of up to fourteen years.

(g) Income and mining royalty taxes

The company follows the deferral method of applying the tax allocation basis of accounting for income and mining royalty taxes. Under this method timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts result in provisions for deferred taxes. These are segregated in the deferred income and mining royalty tax accounts at year end.

2. BULLION

Bullion includes approximately 13,000 troy ounces of gold (1980, 5,000 troy ounces). The estimated net realizable value of bullion on hand has been determined using a value for gold of Cdn. \$472 per ounce (1980, Cdn. \$627 per ounce).

3. MARKETABLE SECURITIES

The carrying value of certain marketable securities has been written down to market value resulting in a reduction of income from investments of \$549,500 (1980, \$562,500).

4. RETIREMENT PLANS

The company maintains retirement plans for its employees. Total pension expense for the year was \$359,000 (1980, \$445,000, 1979, \$351,000) including past service costs of approximately \$106,000 (1980, \$227,000, 1979, \$125,000). Based on the most recent actuarial evaluations, the present value of unfunded past service costs was approximately \$350,000 at December 31, 1981 (1980, \$787,000, 1979, \$312,000). While the company has no legal liability with regard to past service costs, its present intention is to discharge such unfunded past service costs over periods of up to fourteen years.

5. INCOME AND MINING ROYALTY TAXES

The provisions for income and mining royalty taxes for the years 1981, 1980 and 1979 are analyzed in the following table to show (i) the taxes that would be payable by applying statutory tax rates to the company's pre-tax earnings, and (ii) the taxes actually provided in the accounts after deducting available resource, depletion and processing allowance (\$000 omitted):

	1981		1980		1979	
	Income tax	Mining royalty tax	Income tax	Mining royalty tax	Income tax	Mining royalty tax
(a) Pre-tax earnings (loss) as reported less non-mining income	\$ (433)	\$ (433)	\$11,026	\$11,026	\$12,251	\$12,251
Earnings subject to tax	\$ (433)	\$ (1,729)	\$11,026	\$ 9,749	\$12,251	\$11,317
Statutory tax rates	(47.8%)	(5.2%)	47.8%	5.2%	46.0%	5.0%
Tax at statutory rates	\$ (207)	\$ (90)	\$ 5,270	\$ 507	\$ 5,635	\$ 566
Deduct tax effect of						
Resource allowance	(449)		(1,290)		(1,408)	
Depletion allowance			(185)		(862)	
Processing allowance		(50)		(49)		(41)
Non-allowable expenses	418	91	373	72	56	
Other	58	23	(13)	(16)	(349)	54
Tax provided in the accounts	\$ (180)	\$ (26)	\$ 4,155	\$ 514	\$ 3,072	\$ 579
	\$ (206)		\$ 4,669		\$ 3,651	
Effective tax rates on reported pre-tax earnings (loss)	(41.6%)	(6.0%)	37.7%	4.7%	25.1%	4.7%
	(47.6%)		42.4%		29.8%	

- (b) The provision for deferred tax expense results from timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts. The sources and tax effect of these differences are as follows (\$000 omitted):

	1981		1980		1979
	Income tax	Mining royalty tax	Income tax	Mining royalty tax	Income tax
Long term timing differences					
Excess of capital cost allowance for tax purposes over depreciation in the accounts	\$ 281	\$ (567)	\$ 1,164	\$ 567	
Exploration costs expensed in the accounts in excess of claim for tax purposes	(636)				
Other	302		(52)		
Total long term timing differences	\$ (53)	\$ (567)	\$ 1,112	\$ 567	
Long term deferred tax expense (reduction) recognized in the accounts	\$ (19)	\$ (34)	\$ 399	\$ 34	
Effective rate of provision	(35.8%)	(6.0%)	35.8%	6.0%	
Current timing differences					
Bullion recorded in the accounts at net realizable value and recognized for tax purposes at cost of production	\$ (831)		\$ (4,803)		\$ 5,969
Current deferred tax expense (reduction) recognized in the accounts	\$ (227)		\$ (1,307)		\$ 1,626
Effective rate of provision	(27.2%)		(27.2%)		27.2%
	\$ (246)	\$ (34)	\$ (908)	\$ 34	\$ 1,626
Total deferred tax expense (reduction) recognized in the accounts	\$ (280)		\$ (874)		\$ 1,626

At December 31, 1981 deferred taxes on the balance sheet amount to \$472,000 (1980, \$752,000). This amount will be reflected as a component of current tax expense in subsequent years as timing differences are reversed.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of directors and senior officers, as defined by The Business Corporations Act of Ontario, amounted to \$388,000 (1980, \$377,000, 1979, \$288,000).

7. RELATED PARTY TRANSACTIONS

Falconbridge Nickel Mines Limited (Falconbridge) owns 19.16% of the common shares of the company and consequently many of the companies within the Falconbridge organization are related parties. As part of normal business transactions, the company makes use of Falconbridge's management and technical services. Charges for these services are not material to these financial statements.

The company engages in exploration for minerals as a joint venture participant with members of the Falconbridge group, at cost proportionate to its interest in the various projects.

8. PROPERTY MAINTENANCE COSTS DURING STRIKE

The union representing hourly employees commenced a legal strike against the company on July 10, 1980. A new contract for a twenty-seven month period to June 30, 1982 was ratified by the union on October 24, 1980.

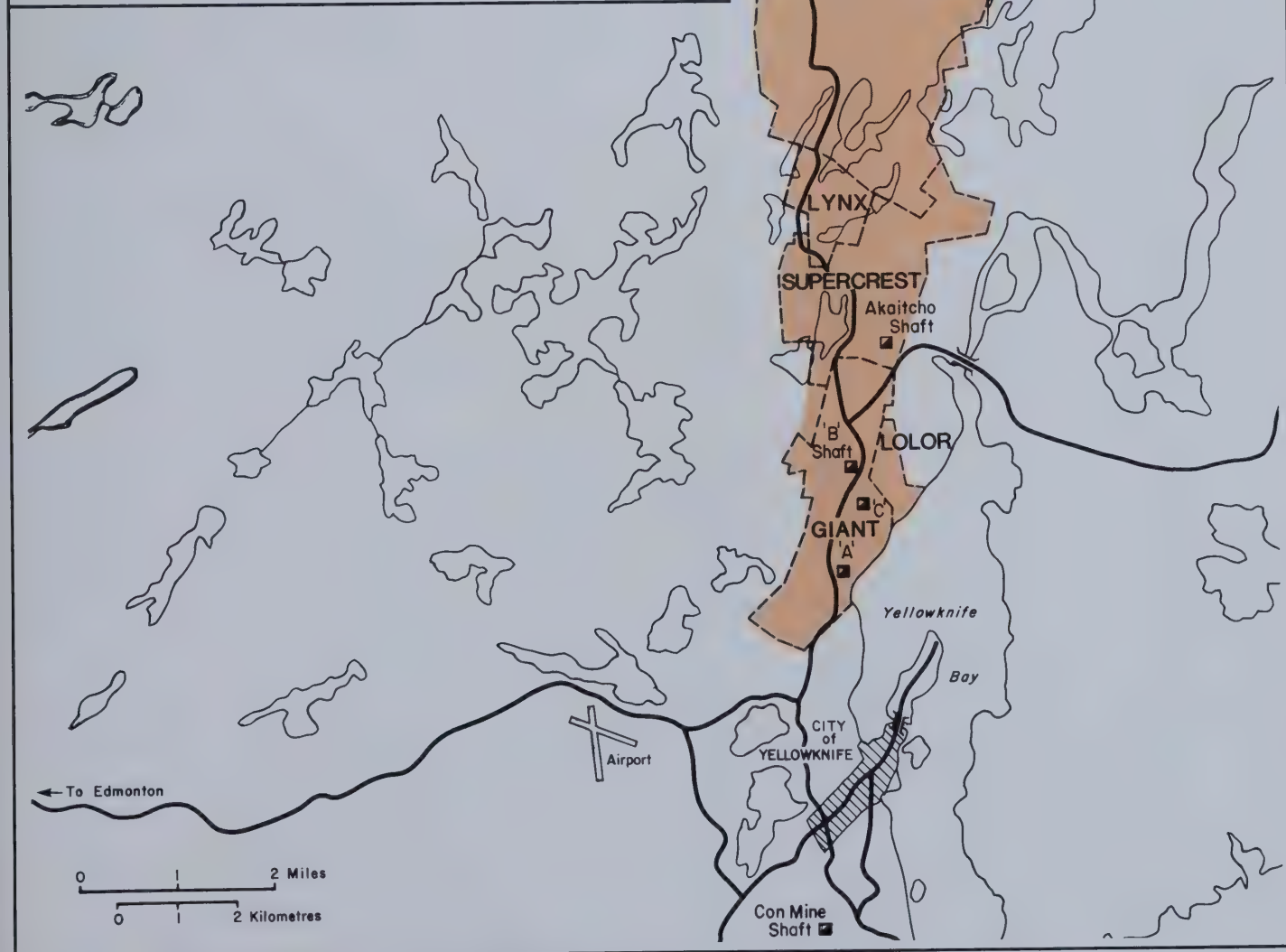
9. COMMITMENTS

Unexpended amounts remaining on the exploration phase of the Salmita project approximate:

	Capital	Exploration	Total
Expenditures to December 31, 1981	\$ 744,000	\$3,261,000	\$4,005,000
Outstanding commitments	—	3,195,000	3,195,000
Exploration phase	<u>\$ 744,000</u>	<u>\$6,456,000</u>	<u>\$7,200,000</u>

10. BANK BORROWING ARRANGEMENTS

The Company has a \$10,000,000 line of credit with a Canadian bank. The interest rate for drawings under this line is the bank's prime lending rate. There is no commitment fee and the line may be withdrawn at the bank's discretion.



PROPERTY PLAN GIANT YELLOWKNIFE MINES LIMITED

COMPARATIVE STATEMENT OF PRODUCTION AND EARNINGS

Fiscal Year Ended May 31	Ore Milled Tons	Calculated Mill Heads Oz. Gold Per Ton	Estimated E.G.M.A. Assistance	Net Value of Metals Recovered	Average Price Per Ounce of Gold	Operating Cost	Operating Cost Per Ton
1949	84,886	0.815	\$ 511,020	\$ 1,962,340	\$ 35.00	\$ 1,467,133	\$ 17.2
1950	126,214	0.708	354,326	2,986,457	37.46	1,826,453	14.4
1951	151,814	0.842	267,874	4,158,038	37.35	1,997,073	13.1
June 30							
1952	165,846	0.755	615,000	3,854,137	35.79	2,650,614	15.9
1953	245,559	0.846	680,000	6,012,389	34.20	3,541,221	14.4
1954	275,985	0.785	965,000	6,045,327	34.26	3,668,151	13.2
1955	286,742	0.761	700,000	5,876,857	34.16	3,890,978	13.5
1956	297,582	0.765	120,000	6,235,926	34.76	4,236,385	14.2
1957	309,673	0.795	105,000	6,396,699	33.75	4,183,517	13.5
1958	289,220	0.795	340,000	5,331,448	33.85	3,852,120	13.3
1959	321,002	0.784	280,000	6,397,770	33.81	3,998,047	12.4
June 29							
1960	361,601	0.784	13,687	7,649,230	33.50	4,266,972	11.8
Dec. 31							
1960	181,101	0.795	.....	4,080,679	34.63	2,480,960	13.7
1961	366,515	0.779	.....	8,507,473	35.73	4,613,087	12.5
1962	375,820	0.763	.....	9,445,300	37.56	4,618,728	12.2
1963	388,190	0.713	.....	9,254,173	37.76	4,603,936	11.8
1964	400,606	0.745	.....	10,120,070	37.62	4,581,045	11.4
1965	395,001	0.722	.....	9,565,401	37.68	4,910,109	12.4
1966	384,271	0.652	.....	8,517,823	37.99	5,121,314	13.3
Consolidated							
1967	319,876	0.670	.....	7,204,874	37.99	4,957,864	15.5
1968	374,717	0.634	265,000	8,739,180	41.60	5,930,179	15.8
1969	399,647	0.640	427,000	9,824,021	42.78	7,234,123	18.1
1970	424,774	0.607	1,059,000	8,328,261	36.47	7,478,392	17.6
1971	403,819	0.621	783,000	8,350,188	38.47	7,592,381	18.8
1972	401,272	0.561	.....	11,990,328	59.87	8,425,758	21.0
1973	389,460	0.459	.....	17,054,358	108.00	9,013,649	23.1
1974	328,099	0.355	.....	16,382,316	162.00	10,945,874	33.3
1975	391,969	0.286	.....	15,377,970	157.00	13,037,200	33.2
1976	428,154	0.281	.....	12,991,075	122.00	12,164,586	28.4
1977	446,192	0.271	.....	17,298,657	164.00	12,794,269	28.6
1978	396,657	0.271	.....	22,183,323	233.00	15,752,655	39.7
1979	416,256	0.206	.....	30,920,686	412.00	18,112,219	43.5
1980	227,240	0.196	.....	27,949,954	730.00	16,782,787	73.8
1981	394,955	0.178	.....	30,953,840	524.00	26,391,325	66.8
	<u>11,150,715</u>	<u>0.590</u>	<u>\$ 7,485,907</u>	<u>\$ 367,946,568</u>	<u>\$ 66.43</u>	<u>\$ 247,121,104</u>	<u>\$ 22.1</u>

Giant

YELLOWKNIFE MINES LIMITED

Operating Income	Operating Income Per Ton	Amortization and Outside Exploration	Non-Operating Income	Income and Mining Royalty Tax	Minority Interest	Net Income	Dividends Declared
\$ 1,006,227	\$ 11.85	\$ 859,567	\$ 6,790	\$	\$	\$ 153,450	\$
1,514,330	12.00	1,039,854	5,237	.....	.....	479,713	.....
2,428,839	16.00	1,254,505	6,334	.....	.....	1,180,668	.....
1,818,523	10.97	1,659,109	7,981	7,956	.....	159,439	.....
3,151,168	12.83	1,673,329	4,906	20,325	.....	1,462,420	800,000
3,342,176	12.11	1,854,444	22,793	48,300	.....	1,462,225	1,600,000
2,685,879	9.37	1,738,576	14,728	26,000	.....	936,031	1,400,000
2,119,541	7.12	1,354,636	71,219	48,000	.....	788,124	1,200,000
2,318,182	7.49	1,355,458	51,901	55,000	.....	959,625	600,000
1,819,328	6.29	1,118,946	59,919	24,000	.....	736,301	1,200,000
2,679,723	8.35	1,096,477	51,060	135,000	.....	1,499,306	1,200,000
3,395,945	9.39	1,243,404	103,858	562,000	.....	1,694,399	1,800,000
1,599,719	8.83	829,368	86,158	49,000	.....	807,509	860,541
3,894,386	10.63	1,579,897	160,058	142,300	.....	2,332,247	1,936,290
4,826,572	12.84	1,029,749	245,321	94,523	.....	3,947,621	3,012,027
4,650,237	11.98	879,752	308,635	155,000	.....	3,924,120	4,302,903
5,539,025	13.83	855,679	332,850	208,000	.....	4,808,196	4,302,910
4,655,292	11.79	802,319	449,827	757,000	.....	3,545,800	4,302,917
3,396,509	8.84	979,060	308,537	690,000	.....	2,035,986	2,581,752
2,247,010	7.02	948,305	363,849	333,000	(38,458)	1,368,012	1,721,167
3,074,001	8.20	721,400	358,715	795,000	12,267	1,904,049	1,721,168
3,016,898	7.55	837,589	355,624	700,300	(65,372)	1,900,005	1,721,168
1,908,869	4.49	728,703	396,451	272,300	(30,951)	1,335,268	1,721,168
1,540,807	3.82	965,039	302,475	70,400	45,930	761,913	1,721,168
3,564,570	8.88	1,148,922	257,777	702,000	502,039	1,469,386	1,721,168
8,040,709	20.65	986,013	642,789	2,697,000	729,017	4,271,468	2,581,753
5,436,442	16.57	808,239	847,235	1,810,000	786,679	2,878,759	2,151,461
2,340,770	5.97	2,049,556	689,737	416,000	259,594	305,357	1,721,168
826,489	1.93	1,232,972	432,353	118,279	93,748	(186,157)	430,292
4,504,388	10.10	1,228,217	468,025	952,090	340,877	2,451,229	645,458
6,430,668	16.21	1,384,491	626,853	1,742,300	199,544	3,731,186	2,151,525
12,808,467	30.77	1,492,156	934,474	3,651,000	284,667	8,315,118	2,581,830
11,167,167	49.14	1,418,987	1,277,427	4,669,380	64,595	6,291,632	4,303,050
4,562,515	11.55	6,291,777	1,296,421	(205,912)	(28,136)	(198,793)	1,075,763
<u>\$ 128,311,371</u>	<u>\$ 11.51</u>	<u>\$ 45,446,495</u>	<u>\$ 11,548,317</u>	<u>\$ 21,745,541</u>	<u>\$ 3,156,040</u>	<u>\$ 69,511,612</u>	<u>\$ 59,068,647</u>

MINE OPERATING OFFICIALS

As of January 1, 1982

K. Blower, *General Manager*

G. A. Aaltonen, *Assistant to General Manager and
Acting Mine Superintendent*

K. S. Morton, *Mill Superintendent*

H. B. Bye, *Master Mechanic*

B. Bergersen, *Chief Electrician*

A. D. Stoodley, *Construction Foreman*

J. D. Currie, *Mine Engineer*

A. A. Inch, *Mine Geologist*

W. J. Walsh, *Chief Accountant*

J. W. McKay, *Purchasing Agent*

R. D. Kapicki, *Personnel Supervisor*

G. C. Puech, *Chief Safety Officer*

